



NARUC

National Association of Regulatory Utility Commissioners

Code of Ethics Commission Discussion

(AU-00000E-17-0079)

DATE: March 13, 2023

FROM: Michael A. Caron, Commissioner, Connecticut Public Utilities Regulatory Authority; President, National Association of Regulatory Utility Commissioners

TO: Kim Battista, Interim Executive Director

RE: Code of Ethics Commission Discussion, Consideration and Possible Vote Concerning What Action Should Be Taken Regarding the Ethics Complaint against Commissioner Thompson

Generally, meetings between commissioners and the financial community do not violate the National Association of Regulatory Utility Commissioners' (NARUC) Code of Ethics.¹ The meetings do not, in our view, constitute inappropriate conduct by a commissioner. These activities, although voluntary, can provide needed education and insight for both regulators and investors.

Benefits of Regulator-Finance Community Interactions

Economic (utility) regulators are faced with myriad complexities regarding their oversight of public utilities.

Utility regulators must understand the financial dynamics of investor-owned utilities (IOUs). The health of the IOUs, the cost of capital, and prudent investments affect local economies as well as rates paid by customers. Balancing the required rate-of-return against the costs that flow through to residential and business customers is part of a state commission's mandate to act in the public interest. All of NARUC's members are charged with assuring reliable service at reasonable rates. Ratings and access to capital from investors gets baked into that mandate.

Similarly, financial entities also need to understand the regulatory process. Meeting with these groups is an opportunity to share the regulator's perspective (of course, eschewing any discussions of current or pending cases).

Indeed, NARUC has routinely hosted panels during its three meetings each year that feature Wall St. analysts to provide its member commissions with insight on the factors Wall Street

¹ *Code of Ethics for Members of the National Association of Regulatory Utility Commissioners*, (November 17, 1997), available online at: <https://pubs.naruc.org/pub/536B93AB-2354-D714-510F-2D034D678522>



analysts consider when rating an IOU's financial health and prospects, as well as how commission decisions are reflected in those determinations.

Attendees (members and non-members) receive valuable information on how commission actions (and statements) may affect the financial health of the industry, as well as how industry performance, financial trends, and regulatory initiatives are used in rating utilities. Past discussions have also included Wall Street analysts' assessments of utilities after natural disasters.

Moreover, regulators can gain greater insight into matters such as buy-side, sell-side, and relevant ratings from analysts, who can address their role and answer questions pertaining to why and how their analyses affect regulated utilities.

Overall, regulators—and their communities—are better served when they know the factors that go into these analyses, what analysts value in a utility and in the regulatory climate, and what either bolsters or undermines the utilities' financial health.

AGA Finance Community Meetings

We understand that this inquiry was sparked by a meeting held in New York sponsored by the American Gas Association (AGA), and that the event was erroneously labeled as an AGA/NARUC activity by the organizers in their e-mails to commissioners.

AGA has stated to the press and to members of NARUC that they mishandled the messaging. NARUC does not have a partnership with AGA to host any joint meetings, nor do we sponsor/endorse such meetings. We have a very rigorous process in place for any group that seeks to partner with or use our name/brand for activities that target our members. We have received no such request from AGA.

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